GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4049
ANSWERED ON:23.03.2001
INFRASTRUCTURE DEVELOPMENT SCHEMES
SUKENDER REDDY GUTHA

Will the Minister of FINANCE be pleased to state:

(a) whether the Union Government have decided to allow State Governments to raise tax free bonds to finance urban water supply and other infrastructure development schemes; and

(b) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALA SAHEB VIKHE PATIL)

(a) & (b) : No, Sir. However, a copy of the guidelines issued by the Ministry of Urban Development to raise TaxFree Municipal Bonds to finance urban municipal infrastructure and circulated to all State governments is enclosed at Annexure.

Annexure referred to in reply to Lok Sabha Unstarred QuestionNo. 4049 by Shri Gutha Sukender Reddy regarding Infrastructure Development Schemes to be answered on 23.3.2001

Annexure

No.K.014011/41/96-UD.III
Government of India
Ministry of Urban Development & Poverty Alleviation
(Department of Urban Development)

New Delhi, the February 8, 2001.

Office Memorandum

Subject: Issue of Tax Free Municipal Bonds.

The Central Government has inserted a new clause

(vii) to Section 10(15) of the Income Tax Act, 1961 vide the Finance Act, 2000, whereby interest income from Bonds issued by local authorities are exempted from income tax.

2.Guidelines are hereby circulated for issue of Tax Free Municipal Bonds by the local governments/authorities.

It is requested that these Guidelines may be widely circulated, to enable the State/Local Governments concerned to submit proposals to the Central Government i.e. Ministry of Urban Development & Poverty Alleviation for issue of Tax Free Municipal Bonds.

Sd/-

(S.K. Bhatnagar)
Under Secretary to the Government of India.

To

All the State Governments/U.T. Governments.

(By name to Secretary (Urban Dev) / Secretary

(Local Self Govt.)

Copy to:

1. Ministry of Finance (Department of Revenue), North Block,
New Delhi (Smt. Deepa Krishnan, Director).

2. Ministry of Finance (Department of Economic Affairs),
North Block, New Delhi. Separate copies to Shri Ashok Lavasa,
Joint Secretary (ADB&I) and Shri Siddharth Behura, Joint Secretary.

3. Ministry of Finance (Department of Economic Affairs), North
Block, New Delhi (Shri B.S. Bhandari, Director (CM&ECB-I).

A copy of the Guidelines, duly vetted by the Ministry of Law,
Justice & Company Affairs (Department of Legal Affairs) is enclosed.

Sd/-

(S.K. Bhatnagar)
Under Secretary to the Govt. of India.